



**Regular Meeting
of the
San José
Public Safety, Finance & Strategic Support Committee
December 20, 2007 at 1:30 P.M**

Roll Call: Pete Constant, Vice-Chair; Forrest Williams, Member; Pierluigi Oliverio, Member; Kay Winer, Chief Deputy City Manager; Melanie Jimenez, Mayor's Office; Bill Hughes, City Attorney's Office; David Baum, Redevelopment Agency

Excused Absence: Madison Nguyen, Chair

Staff: David Persselin, Finance Debt Administrator, Finance Department; Kathleen Jackson, Acting Investment Officer; Abe Andrade, Redevelopment Agency Assistant Budget Director; Steve Hendrickson, Interim City Auditor; Lynda Brouchoud, Sr. Program Performance Auditor; Jorge Oseguera, Sr. Program Performance Auditor; Scott Johnson, Director of Finance; Belinda Silvatici, Program Performance Auditor; Ruth Merino, Senior Program Performance Auditor; Mark Danaj, Director of Human Resources; Joe Horwedel, Director of Planning, Building, and Code Enforcement; Randall Murphy, Interim Chief Information Officer; Steve Turner, Deputy Director, Information Technology; Marsha Lynch, Division Manager, Information Technology; ViJay Sammeta, Acting Deputy Director, Information Technology; Stephen Melikian and David Walton, Johns Hall Law Corporation

Guests: Dan Fenton, President and CEO, Team San Jose; Dan Cunningham, CFO, Team San Jose; Erik Ferris, Director, Client Services Team San Jose; Meghan Horrigan, Director of Public Affairs, Team San Jose; Craig Boyer, Macias, Gini & O'Connell; Cindy Pon, Macias, Gini & O'Connell; Michael Bailey, Public Finance Specialist

The meeting was called to order at 1:32 p.m.

Items were heard in the order given.

6. **Semi-Annual Recommendation Follow-up Report on all Outstanding Audit Recommendations for the Six Months Ending June 30, 2007 (Auditor)**

Steve Hendrickson, Interim City Auditor, presented the report.

This is the semi-annual report on Audit Recommendations intended to highlight those recommendations requiring Public Safety, Finance and Strategic Support Committee attention and provide the status of all open recommendations. There is a higher than 90% implementation rate on the audit recommendations.

During the semi-annual period covering January 1 through June 30, 2007, there were ninety (90) outstanding recommendations of which: 43 recommendations were implemented; 40 recommendations were partly implemented; 5 recommendations were not implemented; 1 recommendation was deferred; and 1 recommendation was dropped.

Upon motion of Member Williams, seconded by Member Oliverio, the Committee accepted the report.

1. **Audit of the Management of the City's Tax-Exempt Bond Program and Use of Interfund Loans to Provide Financing for Capital Bond Projects (Auditor, Finance, City Attorney)**

Steve Hendrickson, Interim City Auditor, and Scott Johnson, Director of Finance, presented the audit report.

This Audit is the first audit report in a series of audits designed to evaluate the Finance Department's debt management, investment, and bond issuance processes.

The Committee requests further analysis of Recommendation #1, and further staff work on Recommendations #2, #3, and #7.

Recommendation #1-Improve controls over the administration of the tax-exempt bond program and processes to mitigate negative cash balances in the City's Cash Pool caused by bond programs and adequately address other negative balances. The Finance Department could hold tax-exempt bond proceeds within the City's Cash Pool, or have the trustee directly pay expenses (Priority 1)

Recommendation # 2-Work with the City Attorney's Office to obtain the services of an independent consultant to evaluate and report on methods to address any potential past compliance issues with federal and state law arising from the negative cash balances and lost interest in restricted funds. (Priority 1)

Recommendation #3-Develop and implement procedures to prevent potential interest diversion of restricted funds held in the City Cash Pool. (Priority 1)

Recommendation #7-Work with the City Attorney's Office to ensure that all voter- approved bond language is fully complied with, including issuing annual audits for Measures O and P. (Priority 1)

Member Williams recommends that the Attorney's Office look at the intent of the bond, what the statement is and what is meant, and to have a clear vision of what the expectations were from the voters.

Rick Doyle, City Attorney, recommends working with both the Auditor's Office and the Finance Department. Every measure that goes to the voter has an impartial analysis attached to it prepared by the City Attorney's Office and guarantees annual audits beyond what the Council intended and what the voters intended.

Upon motion of Member Williams, seconded by Vice-Chair Constant, the Committee accepted the audit report and staff recommendation to return in April 2008 with further analysis of Recommendation #1, and further staff work on Recommendations #2, #3, and #7.

This full report can be accessed via the internet at
<http://www.sanjoseca.gov/auditor/AuditReports/0706/0706report.pdf>.

2. **External Auditor's Reports: Single Audit Reports for San Jose Convention and Cultural Facilities and Hayes Mansion Conference Center for the Year Ended June 30, 2007 and Reports to the Public Safety, Finance and Strategic Support Committee, Fiscal Year Ended June 30, 2007 (Finance) Deferred from November 15**

Scott Johnson, Director of Finance, and Cindy Pon, External Auditor, Macias, Gini & O'Connell, presented the report.

The Single Audit Reports are part of the annual audit process. The independent auditing firm audits the City's federal grant programs to ensure compliance with federal requirements as specified in the Single Audit Act of 1984, as amended. This amendment simplifies the process of auditing federal grants administered by state, local governments and non-profit organizations by combining all federal grants under one audit instead of each Federal Agency performing separate audits.

The independent auditor issues a Single Audit Report to the City Council. The Single Audit Report contains the auditor's findings, recommendations and the City's response and corrective action plans, as appropriate.

The audit reports can be accessed via the internet at <http://www.sanjoseca.gov/auditor/audrepor.asp>

Upon motion of Member Oliverio, seconded by Member Williams, the Committee accepted the audit reports.

3. **Redevelopment Agency Monthly Financial Reports (Redevelopment Agency)**
 - a. **Financial Statements**
 - b. **Capital Cost Report**
 - c. **Cash Flow Projections**

Abe Andrade, Redevelopment Agency Assistant Budget Director, presented the reports.

Upon motion of Member Oliverio, seconded by Member Williams, the Committee accepted the reports.

4. **Bi-Monthly Financial Report for September/October 2007 (Budget)**

Jennifer Maguire, Acting Budget Director, and Margaret McCahan, Budget Analyst, presented the report.

Through the first four months of the fiscal year, the City's overall financial position remains stable. Revenues and expenditures are currently performing within expected levels and are tracking to meet budgeted estimates.

Development-related fee activity has experienced mixed results to-date with the Building and Public Works Fee Program revenues continuing to track well below anticipated levels through October, while the Planning and Fire Fee Programs are meeting or slightly exceeding expectations.

Expenditures are tracking within estimated levels through October and cost control measure remains in place.

Through October, the Airport has enplaned 3.8 million passengers, an increase of 1.5% from the same period last year. This was the result of improved performance for the first couple of months, followed by declines in September and October of 1.6%.

Upon motion of Vice-Chair Constant, seconded by Member Williams, the Committee accepted the report.

5. **Report on the 2007-08 First Quarter Revenue Collection Strategic Plan Report (Finance)**
(Deferred from November 15)

Scott Johnson, Director of Finance, and David Wall, Tax Attorney, presented the report.

The Finance Department began the Revenue Collection Strategic Plan (RCSP) in January 2007 with the restructure of operations to maximize effectiveness of the Investigators/Collectors time spent on collections. The first quarter, July 1, 2007 - September 30, 2007, has produced 131% of our yearly targeted revenue goal for FY 2007-2008.

This report updates the collection results of the City's delinquency management and revenue compliance programs for the first quarter of FY 2007-2008 (July 2007 through September 2007)

Upon motion of Member Oliverio, seconded by Member Williams, the Committee accepted the report.

7. **Review of Plans for Heart Safe City Classification (Fire) Request Deferral to Jan. 17, 08**

Deferral approved.

8. **Quarterly Update on Performance Measurements (City Manager) Request Deferral to Jan. 17, 08**

Deferral approved.

9. **Quarterly Update on Council Directives (City Manager) Request Deferral to Jan. 17, 08**

Deferral approved.

10. **Review of Fire Department 2000 Strategic Plan and Update (Fire) Request Deferral to Jan. 17, 08**

Deferral approved.

11. **Report on Recruitment, Diversity Management and Workforce Planning (Human Resources)**
Request Deferral to Jan. 17, 08.

Deferral approved.

12. **Report on Department Business Technologies (Information Technology)**

- a. **Integrated Billing System (IBS)**
 - b. **Recruiting**
 - c. **Financial Management System (FMS) Upgrade**
- Request Deferral to Jan. 17, 08**

Deferral approved.

13. **Report on City Service Area (CSA) Activities (Information Technology)**

- a. **Public Safety**
 - b. **Parks, Recreation, Neighborhood Services (PRNS) Registration**
- Request Deferral to Jan. 17, 08**

Deferral approved.

14. **Report on Citywide Business Technology (Information Technology)**
a. **Application Management and Data Automation (AMANDA) Expansion**
Deferred from November 15 **Request Deferral to April 2008**

Deferral approved.

15. **Oral Petitions**

No oral petitions.

16. **Adjournment**

Meeting adjourned at 3:47 p.m.

By:



Pete Constant, Vice-Chair
Public Safety, Finance and Strategic Support
Committee

Please note that this meeting can be viewed in its entirety on the City's website, www.sanjoseca.gov and click on the link to view meeting broadcast, you can find all Committee meetings as well as City Council meetings.